



## **Responding to the Foreclosure Crisis in Michigan**

Presented to House Banking Committee  
March 9, 2011

## **The National Picture**

- **Crisis has grown & expanded in past 2 years**
- **Foreclosures up 35% between 2009 & 2010**
- **1 in 10 Americans at least 1 month behind**
- **5 million Americans in some stage of foreclosure**
- **No longer a crisis driven by sub-prime mortgages.**
- **Growing numbers of Strategic Walk-Aways**
- **Sales of existing homes at record lows**
- **Bank repossessions at record highs**

## The Michigan Picture

- **We're consistently ranked among the top 10 states with the highest rates of foreclosure – currently #7**
- **In the top 5 for largest declines in property values**
- **Foreclosure projections (2009 – 2012) total 325,917 homeowners losing their homes.**
- **Most mortgages in Michigan are held by Big Box banks, not local lenders, making it more difficult for homeowners to contact & work with them to avoid foreclosure.**

## Behind the Numbers

- **Unemployment** & being **under water** are the two most important factors now driving foreclosures
  - **Unemployment:** Michigan has among the highest unemployment rates in the country
  - **Under water:** Nearly 40% of Michigan mortgage holders are under water. Strategic **walk-aways** a growing trend!
- FBI has identified Michigan as a primary target for mortgage fraud & **foreclosure rescue scams**.

## **Impact of Foreclosures on . . .**

- **Families**
- **Neighborhoods**
- **Housing Market**
- **Tax Base/Local Units of Gov't./Basic Services**
- **Economic Recovery**

## **The Bottom Line. . .**

- **People of all walks of life, all ages & demographics are losing their homes to foreclosure harming them, their neighbors & communities, depressing the housing market & stalling economic recovery.**
- **The crisis is in our own backyard and not going away any time soon.**

## **Michigan Foreclosure Task Force Responding**

- **Statewide voice responding to Michigan's foreclosure crisis** (Established by CEDAM in 2009)
- **Over 445 members, 180 organizations including:**
  - certified, nonprofit housing counseling agencies,
  - legal service providers
  - community development organizations
  - state and local government agencies and officials,
  - lenders, private sector partners, and individuals who are committed to protecting consumers and helping distressed communities.

## **We Serve as:**

- **Information Hub**
- **Public Policy Advocate**
- **Capacity Builder for Michigan's network of Free, HUD & MSHDA Certified Foreclosure Prevention Counselors**

## **Our Basic Prevention Strategy**

- 1. Educate homeowners about the foreclosure process & their options for avoiding foreclosure**
- 2. Put them in touch with their lenders to work something out that will avoid foreclosure (Repayment plan, forbearance, loan modification, short sale, deed in lieu, etc.)**

## **How do we bring the Strategy to Life?**

### **Michigan's 90-Day Law**

**(Our thanks to Senator Randy Richardville for his leadership in passing Public Acts 29, 30 & 31 of 2009 – Michigan's 90-Day Workout Program for Homeowners)**

- 1. Gives homeowners time to work with their lenders**
- 2. Requires the homeowner to contact the lender and the lender to meet with the homeowner**
- 3. Directs homeowners to free, HUD & MSHDA-certified Foreclosure Prevention Counselors & Legal Service Attorneys to educate & prepare the homeowner for that meeting and to advocate on the homeowners behalf.**

### **So, Has the 90-Day Law Had a Positive Impact?**

- **June 2010 - MFTF & MFPP Online Survey**
- **Results - While there are some challenges with implementation, overall:**

**The 90-Day Law has been an important tool in stemming foreclosure in Michigan by encouraging borrowers and lenders/servicers to work constructively on loan modifications and other solutions.**

### **Specifically . . .**

**The survey's 64 respondents, who were certified housing counselors and legal services attorneys who work with distressed borrowers day in and day out, reported that:**

- **48% of respondents felt that there had been a decrease in foreclosure sales since the 90-Day Law went into effect, compared to only 18% who felt there had been an increase.**
- **While less than 22% believed that a homeowner was likely to be offered a loan modification before the 90-Day Law, more than 60% believed that a homeowner was likely to be offered a loan modification after the 90-Day Law went into effect.**

## Survey Results cont'd.

- Only 12.7% believed that a homeowner was likely to receive a sustainable loan modification before the 90-Day Law, but 53.5% believed that a homeowner was likely to receive a sustainable loan modification after the 90-Day Law went into effect.
- While only 14.1% believed that a homeowner was likely to receive a loan modification after initially being denied, 50% believe that a homeowner was likely to receive a loan modification after initially being denied after the 90-Day Law went into effect.
- While only 26.6% believed that a homeowner was likely to be offered additional loss mitigation alternatives before the 90-Day Law, 58.7% believed that a homeowner was likely to be offered additional loss mitigation alternatives after the 90-Day Law went into effect.
- 

## Conclusion: The Law is Having a Positive Impact!

- The foreclosure crisis is far from over in Michigan and while there could be some improvements made to the 90-Day law that would increase its effectiveness, at a minimum, it needs to be extended beyond the July sunset in order to stem the tide of foreclosures so we can:
  - Keep people in their homes
  - Prevent neighborhoods from becoming destabilized with vacant properties
  - Slow down the decline in property values & its impact on the housing market
  - Stop the further erosion of the local tax base and the resulting inability to provide basic services
  - Prevent yet another factor from slowing our economic recovery

